

August 2, 2004



To the Members of the Indianapolis/Marion County City-County Council:

I welcome the opportunity to present the 2005 Budget for the City of Indianapolis. Indianapolis remains a vibrant and thriving city with an even brighter future; and the 2005 budget fully funds the essential services that make Indianapolis a world-class city, while ensuring public safety and building stronger neighborhoods.

The proposed 2005 budget has several positive aspects: it preserves funding for the arts at current levels; continues making progress in neighborhoods with code enforcement; provides summer programs at parks, and keeps the city tax rate at the 2004 level of \$0.93.

But this budget also presents a grim reality: the City faces many fiscal challenges, particularly as it relates to public safety services. This budget will no doubt spark debate and discussion inasmuch as it takes steps to address several long-standing funding problems, most notably by creating a city pension stabilization account to be funded initially through the issuance of pension obligation bonds. The pre-1977 pension obligations continue to be the greatest long-term financial challenge facing the City. This proposed bond issue and stabilization account is an important first step to lessen the short-term impact of unfunded pension obligations and provide a secure funding source to lessen the impact of a burgeoning public safety pension obligation.

The City's 2005 annual budget totals \$542.7 million. We've taken unprecedented steps to curb spending, preserve the City's savings account and be responsible in the face of financial challenge. And despite public safety increases for salaries, pensions, and the arrestee processing center totaling more than \$21 million, the overall budget increased only \$17.2 million-- or 3.28%-- over the 2004 budget. If the public safety increases are factored out, real budget reductions from 2004 of \$1.8 million are realized.

By many standards, 2005 will be a difficult year, but this budget responsibly balances fiscal reality with the needs of a world-class city. In these difficult financial times, we must work together to address both the 2005 budget and the looming crisis in years beyond. I look forward to discussing the 2005 budget with you.

Sincerely,

A handwritten signature in black ink that reads "Bart Peterson". The signature is written in a cursive, flowing style.

Bart Peterson